

BP's View of the Turkish Straits

remarks before the
Center for Strategic and International Studies

by
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In mid-October, BP, along with a group of other companies signed an investors agreement with each other and then transit agreements with Turkey, Georgia and Azerbaijan, marking a major step forward in the realization of the BTC oil pipeline. This milestone represented the culmination of a tremendous effort by all the involved governments and companies. There are many who doubted that we would be able to progress this far - and it has been true, that like the pipeline route itself there have been many ups and downs. But the fact that we have now engaged in basic engineering of the line is testament to BP's, and its partners, commitment to continue working with the regional countries in making BTC work.

I think it fair to say that BP has been the leading company in this effort, and there is absolutely no change in our intentions with respect to BTC. I would also like to take this opportunity to specifically recognize the commitment of the Turkish Government to the BTC project.

Let me assure you that BP is putting leadership, resources and capital behind this project which in a large part is to relieve the burden on the Turkish Straits.

At the same time, there is a risk of additional tanker movements through the Turkish Straits from further Caspian exploration and development, Black sea trading and growing non-oil traffic. So, while working on BTC, we, Turkey and others must also look at responsible preventative measures to protect this crucial waterway.

With this background I would like to give you BP's views on shipping through the Straits, what we see as problems, and some potential solutions.

First, what is BP's position on shipping through the Turkish Straits?

BP is of the opinion that we, and industry, cannot rely solely on the Turkish Straits for oil exports. We cannot rely on the Turkish Straits due to the risks of disruption from accidents and spills, and some of these accidents could well be from ships other than tankers. The risk of a serious accident in the Straits to shipping is running at about one every two years - this is too high to be acceptable. Everyone involved has a role in ensuring this risk is reduced. Constant improvement in safety measures are needed in the short, medium and long term to guarantee the Straits as a vital waterway for all stakeholders benefit. With the increase in Caspian oil volumes, potential further Black Sea trading and the growth of non-oil shipping, realistic solutions will be required.

What has BP done to improve the safety of navigation in the Turkish Straits?

We have conducted a study of shipping incidents and found that collisions and groundings are the most frequent type of accident. Based on that information we looked at safety measures that we could implement in-house and secondly those that require external support.

Let me tell you what we have done in-house for our own fleet and all BP chartered vessels: All tankers on BP business must comply with Turkish transit guidelines; these are practical, realistic and effective and include such things as:

- Recommended pilotage for transits of the Bosphorus and Dardenelles
- Controlled traffic flow when visibility is less than one mile
- Maximum speed limit of 10 knots over the ground
- Daylight only transits for larger and deep draught vessels
- Closure of the Straits to hazardous shipping when visibility is less than one mile

BP has adopted these guidelines as our minimum policy requirements. I must stress that we insist on pilots for all our transits, and we would encourage others to do so.

These policies were implemented about two years ago and are being complied with by all ships carrying our cargoes. Additionally, ships we charter must of course pass our ship vetting (screening process) which we hold up as leading the industry on safety and quality standards.

Next, I'd like to talk about other safety measures that BP can't implement on its own: First, we encourage all Straits users to employ pilots; data indicates that around 60% of all ships transiting the Straits do so without a pilot. This coupled with the fact that collisions and groundings are the greatest cause of accidents lead us to conclude that all ships transiting the Turkish Straits must employ a Turkish pilot. In fact, 85% of incidents occur on ships without a pilot on board. A trained pilot, who knows the waters and their dangers, a trained pilot who understands and can anticipate how his colleague on the bridge of the other ship is going to act, and most importantly the ability to communicate in a common language is a great safety improvement.

We recognize some shipowners and charterers are reluctant to take on pilots, however, our studies show that if we can solve this problem we can reduce the risk of accidents by at least 40%. This is worthy of much thought and effort.

Through OCIMF, the Oil Companies International Marine Forum, BP has requested that the Navigation and Routing Sub-Committee assess the full spectrum of factors and develop an industry position on safety of navigation in the Straits. This Committee is drawn from a number of major companies active in the Caspian, and work is commencing imminently.

The second safety measure is to install and maximize the value of the Vessel Traffic Management System, or VTS.

Historical data shows that per million transit miles we have seen:

6 accidents in the Bosphorus versus
3 accidents in the Suez Canal, and
0.2 accidents in the Mississippi River

These are quite startling statistics - they show us how relatively more dangerous the Bosphorus is and they show us what is possible if certain safety measures are adopted. For example, in the

Mississippi River, they were able to reduce their accident frequency by an order of magnitude after implementing a fully integrated traffic management system that included a VTS.

The VTS will provide the opportunity to anticipate traffic congestion and regulate traffic flow. It will also greatly enhance the pilot's ability. The contract for this system was let in late 1999 and I believe that it is hoped to have the system up and running by mid next year. This is welcome news and we look forward to having the system fully operational then.

The third safety measure we propose is to improve ship quality & mechanical reliability. This is an area where BP can and will help. As I mentioned, BP Shipping's ship vetting and inspection program is one of the toughest in the industry and I can assure you that no vessel chartered by BP will enter the Straits or Black Sea without having passed this rigorous screening process. Data shows that ships not on our approved list are six times more likely to incur a casualty than those that are approved by us, and I am conservative with this claim.

Empowering the pilot to conduct a pre-transit check of the ships' bridge navigation and communications systems, and main engine controls prior to commencing the transit would be an extremely valuable additional "on the spot" quality assurance tool.

If we could implement the three measures I've discussed;

a) all vessels to take a pilot,
b) install and maximize the value of the VTS, and
c) improve vessel quality and reliability, then our studies indicate that we could potentially reduce the risk of an accident by 66%. This would bring the risk of an accident in the Straits below that of the Suez Canal.

There are other important issues and details that we could discuss but I'll stop here today. I know that the single requirement for all ships to take a pilot will not be easy to put into action. I'm not here to provide prescriptive solutions - but, what I am here to say is this, we in BP are totally committed to improving safety in the Straits and that we can be counted on to support Turkish lead efforts to implement these measures.

In summary:

- i) BP is of the opinion that we, and industry, cannot rely solely on the Turkish Straits for oil exports.
- ii) We have implemented in-house policies for our own and chartered vessels, including a stringent screening process for the chartered vessels.
- iii) We have instigated an industry approach to safety issues and standards for tanker traffic through the Straits.
- iv) We believe that a requirement for all vessels to take a pilot, installing and using fully the facilities of the VTS, and improving vessel quality is the key measure to improving safety. Ladies and gentlemen, we have all seen the recent incidents in Europe and elsewhere around the world which have brought home to us the possibility that a major incident exists. Let us hope it never happens in the Turkish Straits. But hope is not enough and we must be proactive - not reactive - to such a possibility. BP will continue to play its part, and provide leadership to help others do theirs.